

Affordable Care Act: Information Reporting by Providers of Minimum Essential Coverage (MEC) (§6055)

HILTON FINNEY: Hello, I'm Hilton Finney, and I want to thank you for choosing this session about the Affordable Care Act. Today I'm here to discuss information reporting for providers of minimum essential coverage. Before I get started, let me tell you a little bit about myself. I've been employed by the Internal Revenue Service for approximately 25 years. Ten years have been in the Tax Exempt and Government Entities Operating Division, TEGE. I am a federal, state, and local government specialist, with ten years' experience on compliance-related activities with federal, state, and local government agencies. I am an active certified public accountant in the State of Pennsylvania. My prior experience includes but is not limited to an excise tax specialist, a taxpayer service specialist, and a small business and self-employed employment tax specialist. My co-presenter is Andrea Avazian. Andrea?

ANDREA AVAZIAN: Good morning and thank you, Hilton. I am Andrea Avazian. I am an internal revenue agent senior program analyst, assigned to large business and international, pre-filing technical guidance, assigned to the Affordable Care Act group. I have 35 years of IRS experience. I am a CPA, and my post of duty is Laguna Niguel. Thank you, Hilton.

HILTON FINNEY: Thank you very much, Andrea. Before we begin today's presentation, we have a few announcements. The information contained in this presentation is current as of June 4th, 2015. For the latest information about tax provisions of the Affordable Care Act, visit irs.gov/aca. Today we will cover the details of information reporting for health coverage providers, which is found in Section 6055 of the Internal Revenue Code. This presentation includes an overview of the provision, details on the various types of minimum essential coverage, reporting requirements, and an introduction to the IRS forms used in reporting health coverage information.

Let's begin. The provisions of the Affordable Care Act requires health insurance issuers, certain employers, providers of government-sponsored coverage, and others who provide minimum essential coverage, which is commonly referred to as MEC, to file an annual information return with the IRS, reporting coverage information for the calendar year and to furnish a copy of that return, which is referred to as a statement to an individual.

Recipients use this information when completing their tax returns, and the information is used by the IRS to validate compliance with the individual shared responsibility provision, which requires all non-exempt individuals to either have minimum essential coverage or pay the individual shared responsibility payment. Final regulations for information reporting of minimum essential coverage were issued as treasury decision 9660 on March 10th, 2014. There is a link to the final regs on our resources slide.

This slide addresses what is and is not MEC. There are several different types of government-sponsored programs that qualify as MEC, including Medicare Part A, most Medicaid programs, the Children's Health Insurance Program, or CHIP, most Tricare, most VA programs, Peace Corps, and coverage for DoD non-appropriated fund employees. Employer-sponsored coverage, commonly called ESI, is also MEC. ESI includes insured or self-insured group health plans which many individuals may receive through their employment or the employment of a family member. ESI can also include grandfathered plans. In general, a grandfathered plan is any plan that was in existence before the ACA became effective and has not changed since then. Grandfathered rules may also apply to certain individual plans generally if the individual was enrolled in the policy on March 23rd, 2010. Over time, it is expected fewer and fewer plans will retain grandfathered status as various changes to plan designs take effect. Cobra and retiree coverage are also group health plans and MEC. Individuals may also enroll in a qualified health plan through the marketplace for obtaining individual coverage directly from an insurer.

Under the ACA, the Department of Health and Human Services has authority to recognize other plans or programs providing health coverage as MEC, for purposes of Section 5000A. HHS has created a system under which plan sponsors can apply to HHS for recognition as MEC, thus this category will evolve over time. A list of miscellaneous MEC is available on irs.gov. Our next slide covers the basic requirements of information reporting. In the next few slides, which we'll identify who is required to report. In other words, who is considered a provider of minimum essential coverage for reporting purposes. We will discuss electronic and paper filing and the due dates for filing and furnishing returns. And finally, we'll walk

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through an example of a completed return. The very first question likely to be asked is who must report minimum essential coverage?

The general rule is that every provider of MEC must file and furnish the required information return. However, there are some exceptions. Insurers are not required to file a return reporting qualified health plans obtained in the individual marketplace. The marketplace reports coverage obtained as the marketplace on form 1095A, Health Insurance Marketplace Statement. Also, reporting is not required for additional or supplemental coverage that is not MEC, such as a standalone dental plan offered by an employer.

Reporting is also not required for MEC that is in addition to other MEC that is provided by the same plan sponsor or is supplemental to government-sponsored coverage. An example of coverage provided by the same plan sponsor is a health reimbursement arrangement provided by an employer that also provides a primary health-care plan.

An example of coverage that is supplemental, the government-sponsored coverage, is a Medicare or Tricare supplemental plan. So who is an MEC provider? . For insured coverage the MEC coverage is the health insurance issuer or carrier. Also, the government agencies that provide government-sponsored coverage such as Medicare or Medicaid, are required to report. Medicare will report Medicare coverage.

For Medicaid and CHIP coverage, the state agency that administers the program is responsible for reporting. If the Medicaid or CHIP coverage is obtained through an issuer, the issuer is not required to report. Instead, coverage is reported by the state's Medicaid or CHIP agency.

DOD will report for Tricare and coverage under the non-appropriated fund health benefits program, the Department of Veterans Affairs for VA benefits, and the Peace Corps for coverage for Peace Corps volunteers. Finally, the sponsored entity of coverage that HHS has designated as MEC is required to report. Now we will discuss who is required to report coverage that is provided through a self-insured group plan and that is not provided by an applicable large employer. We will address coverage offered by an applicable large employer in a later slide.

As a general rule, the plan sponsor is required to do the reporting. For a self-insured plan maintained by a single employer, the employer is the plan sponsor and is responsible for information reporting. If a self-insured plan is maintained by more than one employer and is not a multi-employer plan, the plan sponsor is each participating employer. If members of a control group are not applicable large employers, then each employer may report separately, or one entity may report for the whole group. For multi-employer plans, the plan sponsor required to report is either the Joint Board of Trustees, association, committee or similar body that establishes and maintains the multi-employer plan. If the coverage is through a Multi-Employer Welfare Arrangement or MEWA, each participating employer must report for its employees. Finally, for any other self-insured employer-sponsored coverage, the plan sponsor is the person identified as the sponsor or administrator by the plan. If there is no entity designated then the plan sponsor is the employer. Government employers that sponsor self-insured health plans are permitted to designate a related government entity to be responsible for reporting. If the government employer designates a related government entity, the designated entity is the plan sponsor and must file and furnish the required returns.

To effectuate the designation, the government employer and the designee must enter into a written agreement in which the designee agrees to file and furnish information returns for the employer. This designation transfers liability for the government employers' requirements to do information reporting to the designee. The designee must be part of and related to a government employer. For example, a political subdivision of a state, such as a county may designate the state or another political subdivision to file returns on its behalf. The designation must be made or revoked prior to the following deadline, and a copy of the agreement should be retained for the government employer's records. This slide shows the reporting procedures. Forms 1095B are submitted to the IRS with a form 1094B transmittal. And multiple forms 1095B can be submitted with a single transmittal.

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Additionally, a copy of the 1095B must be furnished to a responsible individual. This is the lead person for the people enrolled who should get the statement. In some cases, the responsible individual may not be enrolled in the coverage. For example, when children are enrolled in CHIP, their parents are not enrolled in CHIP coverage, but the statement is sent to the parent. As shown on the slide, ALE members who are self-insured will use form 1095C to fill the requirements to report MEC coverage. If more than 250 information returns will be filed, the returns must be filed electronically with the IRS. Electronic filers should refer to the Affordable Care Act Information Return for (AIR) web page on irs.gov for information on electronic filing. There is a link to the AIR web page on our resources slide in the appendix. All filers are encouraged to use electronic filing.

However, paper filing is available for filers with 250 or fewer returns. To determine whether electronic filing is required, you count only the number of forms 1095B that will be filed, and do not count forms W-2, or any other information returns the filer may file; for example, information returns in the Form 1099 series. The requirement to furnish the statement is satisfied if the filer mails the statement to the responsible individual's last known address. Additionally, the form 1095B can be furnished electronically to the individual only if the individual affirmatively consents to electronic receipt. It is not sufficient consent to receive the statement electronically if the individual has previously consented to receive W-2s or other information returns electronically. If the coverage is an expatriate health plan the statement may be furnished electronically unless the statement recipient requests a paper statement. For the second half of the presentation, I'll turn the floor over to Andrea.

ANDREA AVAZIAN: Thank you, Hilton. If the plan sponsored is an ALE member, that sponsor self-insures coverage, the employer is required to combine information reporting for 6055 and 6056. ALE members that are subject to the employer shared responsibility provision are required by Code Section 6056 to report information about the coverage offered to full-time employees in Part Three of form 1095C. An ALE member that offers self-insured coverage must report that the coverage under Section 6055 for each employee and family member who enrolls. To minimize burdens on affected employers and require only one form to be filed, the form 1095C Part Three is used to report enrollment information which allows the employer to satisfy Section 6055. Note that in certain cases an ALE member is permitted to report self-insured coverage on form 1095B; for example, for non-employees such as retirees. Additional information about the use of the form 1095B can be found in the FAQs and instructions for form 1094C and 1095C.

Now we will discuss what information is reported on forms 1095B. Remember that instructions and FAQs are available to provide assistance in completing the forms. The form 1095B has four parts. Part one includes the name and address of the responsible individual. The responsible individual may be the primary insured employee, former employee, parent, or other person enrolling individuals in coverage. A date of birth may be entered if the social security number or other tax identifying number is not available. However, if the responsible individual is not enrolled in the policy, neither an SSN or date of birth is required. On line eight in part one, the filer enters a letter identifying the type of coverage. The instructions to the form list the codes: A, small business health option program or SHOP; B, employer-sponsored coverage; C, government-sponsored programs; D, individual market insurance; E, multiple employer plan; and, F, miscellaneous minimum essential coverage. Line nine, which asks for the SHOP identifier will be left blank for the voluntary year and for 2015 coverage.

Part two, employer-sponsored coverage: Only issuers of insured health group plans, including coverage purchased at the shop, complete part two with information about the employer. The form instructions specify when part two must be completed. Part three, the issuer or other provider is completed with the information about the insurance company or the other provider of coverage. Part four is where the names and identifying information about the covered individuals and the months of the coverage are reported. Part four is the most important piece of the information for the covered individual when completing their Form 1040. Remember the one-day rule. An individual is reported as covered for the month even if he or she was covered for only one day in the month. This slide covers the due dates for filing returns with the IRS and furnishing the statements to the recipient.

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The form 1095B must be furnished to the individual no later than January 31st of the year immediately following the calendar year to which the return relates. We have completed our discussion of who must file, how to file, and what information must be reported. On the last few slides we will walk through two different examples of how the forms look when completed.

Here we can see the Form 1094B, Transmittal of Health Coverage Information Return. As we discussed, the filer uses this form to transmit one or more forms 1095B. Lines one through eight provide identifying information about the filer, including the name, EIN, point of contact, and the address. On line nine the filer enters the total number of Forms 1095Bs submitted with the transmittal.

Let's start by taking a look at our first example for Acme Pizza, a small employer that sponsors self-insured coverage. This slide shows a Form 1094B completed for Acme Pizza. Lines one through eight provide the identifying information for Acme. John Smith is identified as the person to contact. Line nine reports that 52 Forms 1095B are being submitted with this transmittal. Because Acme is filing 250 or fewer forms, it is permitted to file using paper and would sign the form 1094B.

Now let's look at an Acme Form 1095B. Continuing with our example, let's assume Mary Davis is an employee of Acme, enrolls herself and her husband, Bill, in the self-insured plan, effective January 1st, 2015. Mary and Bill remain covered until December 31st, 2015. On August 31st, Mary gives birth to Steven, who is covered by the plan beginning on August 31st, 2015, through December 31st, 2015.

We'll start with part one of the Form 1095B. Continuing with our example, in this case the statement recipient, who is the responsible individual is the employee, Mary Davis, and we can see her identifying information in lines one through seven. Mary's date of birth is not included because Acme, as her employer, has her social security number and enters it. Using the origin of policy codes in the instruction for line eight, Acme enters B, since Mary is enrolling in an employer-sponsored coverage. Acme will not complete line nine because Acme is self-insured and would not have obtained the coverage at the shop.

Moving on to part two in our example, Acme provides self-insured coverage; therefore, in accordance with the instruction to the form, part two is not completed because the coverage is not insured. Part three is used to report self-report information about the insurer or coverage provider. The provider of the coverage is the issuer or the carrier of the insurance coverage, sponsor of self-insured employer plan, government agency providing government-sponsored coverage, or other entity providing the coverage. In our example the provider of the coverage is Acme, and the information provided -- and the information required to be entered into line 16 through 22 is the name, EIN, contact phone number, and address of the provider of the coverage, the self-insured employer. On line Form 1095B, the purpose of the contact number is to provide the recipient of the form with the contact number to call with any questions about the information on the form. Although the contact number may begin with the recording, the recipient must be able to reach a person. The back of the 1095B includes instructions to the recipient, which give the recipient general information about the information on the form.

Having the information on the form should result in fewer calls to the contact. Part four reports information about the covered individual. Line 23 shows Mary's information. Even though Mary's name and social security number were entered on lines one and two, they must also be entered, where required, on line 23, because she is a covered individual. In column d "X" is entered to report that Mary was covered all 12 months, January through December, 2015. Line 24 will report the information about Mary's spouse, Bill, and in column D, the "Covered all 12 months" box will be checked. Line 25 reports information about Steven. Since Steven was covered from August 31st through December 31st, the monthly boxes for August, September, October, November, and December will be checked. The "covered all-12 months" box cannot be completed for Steven because he was not covered for all 12 months of the year. Steven's date of birth is entered because he does not yet have a social security number. This concludes our walk through of example one.

Now let's look at a second example. Retail Corporation is a nationwide retailer. It offers employer-sponsored insurance to its full-time employees through a group health plan provided by insurer Y. Insurer

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Y is the MEC provider, and, thus, required to report. Bob Jones, an employee of Retail Corporation, enrolls in the coverage. Bob marries Susan in February, and Susan enrolls through the Retail Corp. coverage as of April 1st. This slide shows the Form 1094B completed by insurer Y. Lines one through eight provide the identifying information. Line nine reports that 5,312 Form 1095Bs are being submitted with this transmittal. Because insurer Y is filing more than 250 returns, it is required to file electronically and does not need to sign the form. Now let's look at Form 1095B. Continuing with our example, in this case the statement recipient who is the responsible individual is the employee, Bob Jones, and we see his identifying information in line one through seven. Using the origin of the policy codes in the instruction for line eight, insurer Y enters B, since Bob is enrolling in an employer-sponsored coverage. Insurer Y will not complete line nine because coverage was not obtained at the SHOP.

Moving on to part two in our example, part two is completed because Bob's coverage is insured employer-sponsored coverage from Retail Corp. Therefore, the identifying information for Retail Corp. is included on lines 10 through 15. Part three is used to report information about the issuer or other coverage provider. In our example, the provider of the coverage is insurer Y, and the information required to be entered on lines 16 through 22 is the name, EIN, contact phone number, and address of the issuer. Again, the purpose of the contact number is to provide the recipient of the form with a contact number to call with any questions about the information on the form. Although the contact number may begin with a recording, the recipient must be able to reach a person. Part four reports information about the covered individual. Line 23 shows Bob's information. Even though Bob's name and social security number were entered in on lines one and two, they must also be entered, where required, on line 23, because Bob is covered under the employer plan. In column D, "X" is entered to report that Bob was covered all 12 months, January through December, 2015. Line 25 -- line 24 -- my apologies -- will report information about Bob's spouse, Susan. Since Bob and Susan were married in February and she was then enrolled in coverage effective April 1st, column D will be checked for April through December, each month that Susan was covered. The "Covered all-12 months" box cannot be completed for Susan because she was not covered by the Retail Corp. coverage for all 12 months of the year. This completes our walk through of example two and completing the forms. This brings us to the end of our presentation on IRC Section 6055, information reporting for providers of minimum essential coverage.

To recap, Section 6055 requires every issuer or provider that provides minimum essential coverage, also known as MEC, to an individual to file an annual information reporting return with the IRS for which such coverage is provided. Subsequently, this information is used by the IRS to validate that individuals have satisfied the requirement of the individual shared responsibility provision. There are various types of MEC, including employer-sponsored coverage, government-sponsored coverage, individual marketplace plans, other coverage HHS designates as MEC. These information returns must be filed with the IRS and furnished to the individuals to assist in completing their tax returns. The new forms developed by the IRS to satisfy the requirement of Section 6055 are the Forms 1094B transmittal and the 1095B. Hilton, I will turn it back to you.

HILTON FINNEY: Well thank you very much, Andrea. We hope that you have attained meaningful information from today's topic, and please continue to visit the website, www.irs.gov/aca, for updates. On behalf of the Internal Revenue Service, thank you for joining us.